

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-14 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-01 H-02 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 USIA-15 SP-02 SOE-02 OMB-01
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FM AMCONSUL TORONTO
TO SECSTATE WASHDC 6975
INFO AMEMBASSY OTTAWA
AMCONSUL WINNIPEG
USDOC WASHDC
USMISSION GENEVA

UNCLAS TORONTO 0396

GENEVA FOR USDEL MTN

PASS AGRICULTURE/IMV/FV

E.O. 11652: N/A

TAGS: EFIN, ETRD, CA

SUBJ: ONTARIO MOVES TO ELIMINATE DISCRIMINATORY PRICING OF
IMPORTED WINES AND SPIRITS

1. COMBINED PROVINCIAL MARKUPS AND TAXES ON IMPORTED WINES
AND SPIRITS WILL BE RAISED LESS THAN THOSE ON DOMESTIC
PRODUCTS, ONTARIO TREASURER MCKEOUGH ANNOUNCED IN HIS BUDGET
MESSAGE MARCH 7, AS ONTARIO BEGINS "TO NEUTRALIZE OVER THE
LONGER TERM WHAT HAS BEEN, IN EFFECT, ON ONTARIO TARIFF."

2. THE INCREASES ARE AS FOLLOWS: CAN DOLS 0/25 PER 25-OZ BOTTLE
OF CANADIAN SPIRITS; CAN DOLS 0.15 PER 25 OZ BOTTLE OF IMPORTED
SPIRITS; CAN DOLS 0.15 PER 26 OZ BOTTLE OF CANADIAN WINE; AND
CAN DOLS 0.10 PER 26 OZ BOTTLE OF IMPORTED WINE. PROPORTIONAL
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INCREASES TO BE APPLIED TO OTHER CONTAINER SIZES. ALTHOUGH NEWS
MEDIA HAVE REPORTED THAT MARKUPS ARE NOW 47 PERCENT ON
DOMESTICS WINE, AND 123 PERCENT ON IMPORTED WINE, THIS IS
INACCURATE SINCE THE NEW MARKUPS ARE NOT BASED ON COST, BUT
ON CONTAINER SIZE. AND AS FAR AS BEER IS CONCERNED, THE
RETAIL PRICE OF CASE OF 24 12 OZ BOTTLES OF CANADIAN
BEER WILL BE INCREASED BY CAN DOLS 0.15 (INCLUDING DEPOSIT)

WHILE IMPORTED BEER WILL GO UP BY CAN DOLS 0.05
NONRETURNABLE PER BOTTLE.

3. AT A NEWS CONFERENCE MCKEOUGH SAID THAT THE TAX
MARKUP GAP BETWEEN DOMESTIC AND IMPORTED PRODUCTS
WILL BE NARROWED OVER THE NEXT FEW YEARS BECAUSE "I
DON'T THINK WE SHOULD BE IN THE TARIFF BUSINESS.
CONSTITUTIONALLY I DON'T THINK WHAT WE'VE BEEN DOING
WOULD STAND THE TEST OF THE COURTS." HE INDICATED
HOPES FOR ECIPROCAL ACTION BY OTHER COUNTRIES IN THE
IURRENT MULTILATERAL TARIFF NEGOTIATIONS AND SAID
"IF THEY'RE NOT GOING TO PLAY BALL WITH US, WE'LL
TAKE ANOTHER LOOK AT IT."
DIGGINS

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NNN

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